

In the present case we have endeavoured, as far as possible, to neutralize the effect by causing it to be stated in the contractors' advertisements that the interest on the loan will be paid through the customary channel.

A previous loan of considerable magnitude having been so recently negotiated in this country by the Government of New Zealand, and a portion of it still remaining undisposed of in the hands of the original speculative purchasers, it was obvious that any attempt to get so large a sum as £4,000,000 sterling subscribed for by the public would have proved abortive; and as the necessity of placing the whole loan at once on the market with a guarantee as to price was impressed upon us, we had no alternative but that of resorting to a syndicate or contractor. Had circumstances permitted us to negotiate the loan in two equal parts, with an interval of nine or twelve months between them, we believe that we could, with success, have appealed directly to the public, with a very considerable saving to the Colonial Exchequer, and with the probable advantage that only a comparatively small portion of the loan would have fallen into the hands of speculators. Under the present arrangement we are ignorant as to the character and number of the subscribers, and as to the amount actually taken up by the public, the applications having been received, and the allotments made, by the contractors in private; and reports current in well-informed circles, together with the unusual silence of the Press, incline us to believe that the greater part of so much of the loan as has not been retained by the contractors themselves has been taken up for speculation, and will for a long time to come be pressed upon the market whenever remunerative sales can be made. Until that process is ended, if our surmise be correct, it appears to us, so far as it is possible to judge of the future, that the Government of New Zealand will find it necessary to abstain from all attempts to place upon this market any further loans.

The most immediate effect of the line of action that we have been compelled to adopt appears in the depreciated value of the new debentures. The net market price of New Zealand $4\frac{1}{2}$ per cents. on the 1st February was 97; whereas (without any change for the worse having taken place in the money market in the interval) the rate at which the public were invited to subscribe for the new loan was 94, with deferred payments, virtually reducing it to 93. This depreciation of 4 per cent. below the previously existing price, with certain rebates in the shape of commission, was the highest point at which the contractors would undertake to guarantee the taking up of the loan; and these conditions were considerably more advantageous than we were at one time led to expect.

The terms on which the loan has been contracted appear to us indeed to be exceptionally favourable, when it is considered how recently the previous loan was negotiated, how large is the present operation, and how prejudicial to a new transaction is the discussion now going on in the Press of this country as to the soundness of the financial policy of the colony, coupled with the increasing apprehension among *bonâ fide* investors that its liabilities are outgrowing the legitimate means of meeting them.

In bringing into the market more of the colony's securities than it was able at once to absorb, it became absolutely necessary to make such a reduction in price as might on the one hand, if possible, tempt the general public largely to invest their money in these debentures, or as might, on the other hand, induce speculators to purchase them with the prospect of selling hereafter on beneficial terms. It must be remembered, moreover, that the higher price (97) was on retail transactions, relating to small sales of £500 and upwards, whereas the lower price (94, virtually representing 93) was a wholesale one, put forward with a view of inducing subscriptions to the extent of £4,000,000 sterling.

We have, &c.,

P. G. JULYAN.

I. E. FEATHERSTON.

W. C. SARGEANT.

The Hon. the Acting Colonial Treasurer, New Zealand.

Enclosure 2 in No. 2.

DRAFT of a REPORT which it is proposed that all the Loan Agents should unite in making to the Government of New Zealand.

SIR,—

London, 19th March, 1875.

We have the honor to report to you, for the information of the Government of New Zealand, that under the powers conferred upon us by an Order in Council, dated 10th September, 1874, and authorized by "The Immigration and Public Works Loan Act, 1874," we have disposed of debenture bonds representing in value £4,000,000 sterling, redeemable at par in not less than five or more than thirty years from the 1st of February, and bearing interest from 1st March, 1875, at the rate of $4\frac{1}{2}$ per cent. per annum. The reasons which originally led to the adoption of $4\frac{1}{2}$ per cent. as the rate of interest most desirable for New Zealand loans have been fully explained in former letters, and need not be enlarged upon here further than to state that the advantages of uniformity, coupled with the disinclination manifested by the public of this country to subscribe for 4 per cent. loans recently offered in this market by the Governments of New South Wales and South Australia, have added considerable force to those reasons, and left no doubt on our minds that we should best consult the interests of the colony by continuing the same rate. The amount to be immediately placed on the market was a point upon which, in the absence of instructions, we were necessarily governed by the extent of your wants, and these were represented to us by the Treasurer of the colony to be such as to render it most desirable to dispose of the whole four millions sterling forthwith. Being aware that a portion of the last issue was still in the hands of speculators, and that the demand for New Zealand securities was of a very limited character, it was evident to us that it would be hopeless to expect the open market at once to absorb so large an amount, and we had therefore no alternative but that of resorting to a contractor or to a syndicate.

This being so, and the Treasurer preferring the former, we opened negotiations with Messrs. Rothschild and Sons, and finally entered into a contract with them by which they undertake to find purchasers for the whole amount authorized by the Act. Copy of this contract, and of the advertisement issued by them showing the method in which they have proceeded to comply with its terms, are herewith enclosed.